



Control Number: 51812



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PROJECT NO. 51812

ISSUES RELATED TO THE STATE  
OF DISASTER FOR THE  
FEBRUARY 2021 WINTER EVENT

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PUBLIC UTILITY COMMISSION  
OF TEXAS  
2021 APR 15 PM 3:35

**CITY OF COLLEGE STATION'S COMMENTS IN SUPPORT OF INDEPENDENT  
MARKET MONITOR'S RECOMMENDATIONS**

The City of College Station (College Station) respectfully requests the Public Utility Commission of Texas (Commission or PUC) to direct the Electric Reliability Council of Texas (ERCOT) to implement the recommendations of the Independent Market Monitor (IMM) regarding the pricing concerns for power supply and the ancillary markets during Winter Storm Uri.<sup>1</sup> Specifically, College Station requests that the PUC direct ERCOT to reprice all day-ahead ancillary services (AS) clearing prices to cap them at the System-Wide Offer Cap (SWCAP) of \$9,000 per MWh for operating days February 15 through February 20, 2021.<sup>2</sup> Further, College Station requests that the PUC direct ERCOT to correct the real-time energy prices to remove the inappropriate pricing intervention that occurred from 0:00 on February 18, 2021, to 9:00 on February 19, 2021.<sup>3</sup> Taking these actions will avoid irreparable harm to the Texas electric market, its participants, and ultimately consumers in the ERCOT market.

**I. ARGUMENTS**

**A. Reprice all day-ahead ancillary services clearing prices to cap them at System-Wide Offer Cap**

As pointed out by the IMM, ERCOT uses very high penalty costs to ensure that the day-ahead market (DAM) algorithm can clear as much of the AS Plan as possible and, between February 15 and February 20, the scarcity of offers, generator constraints, and opportunity costs applied during this pricing run resulted in “unexpected” clearing prices higher than the SWCAP

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<sup>1</sup> See Project. No. 51812, *Issues Related to the State of Disaster for the February 2021 Winter Weather Event*, Potomac Economics, Ltd. Letter (Mar. 1, 2021).

<sup>2</sup> *Id*

<sup>3</sup> See Project. No. 51812, *Issues Related to the State of Disaster for the February 2021 Winter Weather Event*, Potomac Economics, Ltd. Letter (Mar. 4, 2021).

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in effect on those days.<sup>4</sup> IMM recommended “that these prices be capped at the SWCAP of \$9,000 per MWh” and that “[c]apping the AS Market Clearing Prices for Capacity (MCPC) for each AS for those days will produce outcomes more consistent with economic market design principles.”<sup>5</sup>

Even though ERCOT uses the Operating Reserve Demand Curve (ORDC)—which is capped at \$9,000 per MWh—in the real-time market (RTM) to determine the value of operating reserves, ERCOT currently does not use the ORDC in the DAM as economic market design principles would dictate. This current deficiency in the ERCOT market design is corrected with the implementation of real-time co-optimization (RTC) as specified in ERCOT Board approved nodal protocol revision request (NPRR) 1008, RTC – NP 4: Day Ahead Operations. In Section 4.4.12 of NPRR1008—Determination of Ancillary Service Demand Curves for the Day-Ahead Market and Real-Time Market—the same ORDC used in RTM is also used in DAM to create Ancillary Service Demand Curves (ASDC). Because the highest value of the ORDC is \$9,000/MWh, the highest value of the ASDCs is also \$9,000/MWh. This implies that under RTC, AS prices cannot exceed \$9,000 per MWh. The same economic principles dictate that AS prices should not exceed \$9,000 per MWh in the current market.

College Station incurred ancillary charges of more than \$34,500,000 from February 14 to February 22, 2021. That figure represents approximately 72 percent of College Station’s average yearly power cost. These costs were incurred because ERCOT calculated the AS prices at values up to and exceeding \$25,000 per MWh, which as noted above, is far more than the approved \$9,000 per MWh maximum set by the Commission. College Station urges the Commission to implement the IMM’s recommendation regarding AS charges, as capping the AS clearing prices will produce outcomes more consistent with economic market design principles, and will result in a more fair, just, and accurate outcome. Therefore, ERCOT should reprice all DAM AS clearing prices to cap them at the SWCAP of \$9,000 per MWh for operating days February 15 through February 20, 2021.

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<sup>4</sup> See Project. No. 51812, *Issues Related to the State of Disaster for the February 2021 Winter Weather Event*, Potomac Economics, Ltd. Letter (Mar. 1, 2021).

<sup>5</sup> *Id*

## **B. Correct real-time energy prices to remove inappropriate pricing intervention**

The IMM recommended that the Commission direct ERCOT to correct the real-time prices from midnight on February 18, 2021, to 9:00 am on February 19, 2021.<sup>6</sup> As the IMM noted, it agreed with the Commission's February 15, 2021 Order mandating that real-time energy prices reflect firm load shed by setting prices at the value of lost load (VOLL).<sup>7</sup> However, the IMM pointed that "it is equally important that prices *not* reflect VOLL when the system is not in shortage and load is being served."<sup>8</sup> The IMM found that "ERCOT exceeded the mandate of the Commission by continuing to set [prices] at VOLL long after it ceased the firm load shed."<sup>9</sup> Despite ERCOT calling for the end of firm load shed, the Energy Emergency Alert (EEA3) continued, and prices remained artificially high. Because of ERCOT's actions in maintaining market cap prices after the mandate for firm load shed had stopped, power supply costs for College Station totaled more than \$4,000,000. The total inflated cost for this four-day event averages to about \$1,200 per College Station electric customer. It is imperative that the Commission review and order the correction of the excessive wholesale electricity charges in a fair, just, and accurate manner to prevent overcharging of the citizens of not only our community, but the entire state of Texas.

## **C. Do not uplift charges to remaining ERCOT market participants**

In addition to the concerns regarding overbilling of both AS charges and energy prices mentioned above, College Station has become aware that uplift charges currently totaling more than \$3.1 billion dollars can be passed back to the market by ERCOT to recover debt from bankrupt or otherwise non-paying Retail Electric Providers (REPs) and other utilities. The potential uplift charges threaten to contribute more than \$10 million more in costs to the citizens of College Station. It is in the public interest to adjust the prices in the market to reflect actual realities of the prices during Winter Storm Uri. As the situation stands right now, cities like College Station will

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<sup>6</sup> See Project. No. 51812, *Issues Related to the State of Disaster for the February 2021 Winter Weather Event*, Potomac Economics, Ltd. Letter (Mar. 4, 2021).

<sup>7</sup> Project No. 51617, *Calendar Year 2021 - Open Meeting Agenda Items Without an Associated Control Number*, Second Order Directing ERCOT to take Action and Granting Exception to Commission Rules at 1-2 (Feb. 16, 2021).

<sup>8</sup> See Project. No. 51812, *Issues Related to the State of Disaster for the February 2021 Winter Weather Event*, Potomac Economics, Ltd. Letter (Mar. 4, 2021).

<sup>9</sup> *Id.*

have no choice except to increase charges to its citizens for both the uncorrected billing errors as well as the uplift charges for providers that declared bankruptcy or otherwise chose not to pay for electric services during the winter storm. Having the citizens of College Station pay for the cost of bankruptcy by other companies and billing errors not only is inappropriate, but also an unallowable use of public funds.

The finality of the settled prices is being questioned at multiple levels in the Texas state government and is currently still in flux. Renewed urgency and action to resettle these prices is time sensitive. If action is not taken in a timely manner, College Station will have no choice but to consider raising electric prices to its citizens to maintain a financially viable community.

## **II. CONCLUSION**

The requested actions will reduce the cost paid by consumers, reduce uplift, and reduce the financial burdens on market participants in ERCOT. College Station appreciates this opportunity provided by the Commission and respectfully requests that the Commission act immediately on its request.

Date: April 5, 2021

Respectfully submitted,

CITY OF COLLEGE STATION

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